



General Assembly

January Session, 2007

Raised Bill No. 1213

LCO No. 4156

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Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

***AN ACT CONCERNING THE FINANCIAL SECURITY REQUIREMENT
FOR PREFERRED PROVIDER NETWORKS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (i) of section 38a-479aa of the general statutes
2 is repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2007*):

4 (i) Each preferred provider network shall maintain or arrange for a
5 letter of credit, bond, surety, reinsurance, reserve or other financial
6 security acceptable to the commissioner in an amount not to exceed
7 five hundred thousand dollars for the exclusive use of paying any
8 outstanding amounts owed participating providers in the event of
9 insolvency or nonpayment except that any remaining security may be
10 used for the purpose of reimbursing managed care organizations in
11 accordance with subsection (b) of section 38a-479bb. Such outstanding
12 amount shall be at least an amount equal to the greater of (1) an
13 amount calculated on the basis of the two quarters within the past year
14 with the greatest amounts owed by the preferred provider network to
15 participating providers, (2) the actual outstanding amount owed by the
16 preferred provider network to participating providers, or (3) another

17 amount determined by the commissioner. Such amount may be
18 credited against the preferred provider network's minimum net worth
19 requirements set forth in subsection (h) of this section. The
20 commissioner shall review such security amount and calculation on a
21 quarterly basis.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2007</i>	38a-479aa(i)
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Statement of Purpose:

To require each preferred provider network to maintain financial security in an amount up to five hundred thousand dollars.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]